UNDP

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APPROVAL OF LARGE-SCALE UNDP ASSISTANCE TO A PROJECT OF THE GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA

Project title and number:	Rural Finance Department, Bank of Tanzania (URT/77/028)
Executing Agency:	Food and Agriculture Organization of the United Nations (FAO)
Government co-operating agency:	Bank of Tanzania
Date of approval:	October 1978
Starting date for project operations:	October 1978
Duration:	Three years and nine months
Estimated value of Government input expressed in US dollars:	$19 880 (In kind)
Estimated UNDP contribution:	$600 000
Source of UNDP financing:	Indicative Planning Figure (IPF)

I. Background

1. Since 1967 when the Bank of Tanzania (BOT) was established it has been performing the traditional functions of a Central Bank. In a country where the economy is based on agriculture and 90 per cent of the population lives in rural areas, the Central Bank will have to assume a dynamic role in agriculture and rural development. A beginning in that direction could be made by first building up a full-fledged Rural Finance Department in the Bank. In this connexion a senior rural credit expert was made available by FAO under a special project (TCP/P/7/URT/04/T) for a period of eight months in 1977.

2. The establishment of a Rural Finance Department in BOT is the beginning of a long process towards the creation of a structure of institutions to handle credit for agricultural and rural development at the immediate and base levels.

II. The project

3. The development objective of the project is to enable the Bank of Tanzania to assume leadership in the institutional financing of agricultural and rural development and with that objective in view to build up a Rural Finance Department.

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4. The immediate objectives are to: (a) secure amendments to the Bank of Tanzania Act to facilitate the development role envisaged for it in the sphere of credit for agriculture and rural development; (b) work out details of collaboration between the National Bank of Commerce (NBC) and the Tanzania Rural Development Bank; (c) equip the villages financially as well as administratively to enable them to serve as an organization for channelling credit to the farmers; (d) make the role of crop authorities complementary to agricultural credit agencies; (e) suggest an appropriate machinery for extension; (f) organize studies and surveys in agricultural credit and organize training programmes for personnel of the Bank; and (g) arrange for the distribution of fertilizers.

5. UNDP assistance will cover the services of three international experts, training and equipment. The Government of India will provide the services of one credit expert for initially a period of twoyears. The Government of Tanzania will provide the national and administrative support staff and miscellaneous operating costs.

6. The expenditure components of the UNDP contribution are as follows:

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Project personnel	500 669
Subcontract	8 000
Training	42 000
Equipment	40 000
Miscellaneous	9 331
	600 000

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